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APACHE STREET WRAP: New Play Adds 'Fuel to the Bullish Fire'

By Michael Bellusci

(Bloomberg) -- Apache shares up 10% after confirming discovery of significant new resource play, the "Alpine High," in southern portion of Delaware Basin, primarily in Reeves County, Texas; analyst see update as a catalyst, however market may need to see longer-term results.

ANALYST COMMENTARY Scotia Howard Weil (Pete Kissel)

- * New play adds "fuel to the bullish fire"
- * Resource model still needs to be built out; important factors appear to be the 4k-5k of "stacked pay" in up to 5 intervals, more than 2k future drilling locations already identified in the wet gas Woodford and Barnett intervals; these intervals yield est. NPV/well \$4m-\$20m at \$50 oil, \$3 natgas
- * Sector outperform

RBC (Scott Hanold)

- * Sees news generating significant investor interest
- * Has potential to be major long-term growth development for APA
- * Market may need to see longer-term well performance, returns given gas-weighted aspect of the production
- * Sector perform, PT \$60

Cowen (Charles Robertson II)

- * Wells have strong economics vs APA's current U.S. portfolio with returns comparable to other "Tier 1" rich gas plays
- * Infrastructure seen as main constraint as APA isn't able to sell gas until 2H17
- * Market perform PT \$56

Tudor Pickering (Jeoffrey Lambujon)

- * Well results thus far show high IP rates with "some variability"; further "de-risking" needed before the market can ascribe more value
- * Hold

Piper (Pearce Hammond)

- * Multiple catalysts announced may "awaken a sleepy stock"
- * Overweight

DATA

- * APA 10 buys, 20 holds, 6 sells avg PT \$57: Bloomberg data
- * YTD: APA +16% vs S5ENRS Index +15%

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